

SPECIAL NOTICE

May 26, 2004

For further information contact:
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Taxability of Licensed Boarding Homes

Substitute House Bill (SHB) 1328, Chapter 174, Laws of 2004, lowers the business and occupation (B&O) tax rate for licensed boarding homes from 1.5% to .275%. The bill also provides a B&O tax deduction for amounts received for providing services under contract with the Department of Social and Health Services (DSHS) to residents who are Medicaid recipients.

Effective July 1, 2004, businesses providing room and domiciliary care to residents of boarding homes licensed under chapter 18.20 RCW will pay the B&O tax at the rate of .275% under the new classification Licensed Boarding Homes on the gross income for these services.

A deduction is allowed for amounts received for providing adult residential care, enhanced adult residential care, or assisted living services under contract with DSHS as authorized by chapter 74.39A RCW to residents who are Medicaid recipients.

The new classification applies to the gross income from providing room and domiciliary care. Gross income includes all amounts charged for these services including separately stated amounts designated as room or lodging charges.

Separate charges for sales or services other than providing room and domiciliary care are subject to tax under the tax classification for those sales or services.

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